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MONTANA TEACHERS' RETIREMENT SYSTEM

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Handbook of
Information
July 1, 1987

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THE TEACHERS' RETIREMENT BOARD

MEMBER	TERM EXPIRES
LEROY CORBIN.....	July 1, 1990
Teacher, Butte	
VIRGINIA EGLI.....	July 1, 1991
Teacher, Glendive	
JAMES E. BURKE.....	July 1, 1988
Realtor, Livingston	
J. THOMAS RYAN.....	July 1, 1989
Retired Member, Helena	
J. WILLIAM KEARNS.....	July 1, 1989
Banker, Townsend	
EDWARD F. ARGENBRIGHT.....	Ex Officio
Superintendent of Public Instruction	

ADMINISTRATIVE OFFICERS

DAVID L. SENN.....	Executive Secretary
MARY L. HARRINGTON.....	Asst. Executive Secretary

FORWARD

The Montana Teachers' Retirement System was established by state law in 1937. The System has grown from its initial enrollment of 3,367 members to over 16,000 active members and now has assets in excess of \$500 million. A total of 6,129 members and beneficiaries receive retirement, disability, or survivor benefits of over \$31 million each year.

Membership in the Teachers' Retirement System is compulsory for all members of the teaching profession, except for persons teaching less than thirty (30) days in any given school year during the absence of a regular teacher and teachers employed by private schools.

The benefits provided by the System are funded by each member, his employer and interest earnings. Over the years many changes and improvements have been enacted through legislation. In order to maintain the actuarial soundness of the System, the employer's contribution rate has increased with each major improvement since 1945 to the current rate of 7.428%. The employee rate remained at 5% from 1937 to 1973 when it increased to 5.125%. Effective July 1, 1975, the employee contribution rate increased to 6.125%, and on July 1, 1977, to 6.187%. On July 1, 1983, the rate was increased to 7.044%.

An actuarial valuation of the retirement system is performed biennially. The purpose of the valuation is to determine the financial position of the fund, the normal cost and the unfunded accrued liability based upon present and prospective assets and liabilities of the system. The valuation is completed as of July 1 of every odd numbered year.

As of July 1, 1987, the Actuary determined the system was funded on an actuarially sound basis.

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ADMINISTRATION

The governing body of the Teachers' Retirement System of the State of Montana is the Retirement Board whose names are listed on page i of this booklet.

The Board is composed of the Superintendent of Public Instruction, two members appointed from the teaching profession who are members of the System, two persons appointed as representatives of the public, and one person who is a retired teacher.

The Board employs administrative officers and a staff to conduct the business of the System.

The State Investment Board invests the funds of the System in various securities permitted by law. These investments are segregated from other state funds. The Treasury Division of the Department of Administration is the custodian of the securities owned by the System, and of the collected Retirement System monies.

The powers and duties of the Retirement Board are as follows: Ref: 19-4-201, 203, 204, 501, 601 and 701 MCA.

- (1) Establish rules and regulations necessary for the proper administration and operation of the Retirement System.
- (2) Elect a chairman from its membership.
- (3) Appoint a secretary who may be one of its members.
- (4) Employ technical or administrative employees who are necessary for the Retirement System.
- (5) Approve or disapprove all expenditures necessary for the proper operation of the Retirement System.
- (6) Keep a record of all its proceedings which shall be open to public inspection.
- (7) Publish a biennial report by January 1 of each year the legislature meets, which reports in detail the fiscal transactions for the two fiscal years immediately preceding the report due date, the amount of accumulated cash and securities of the System, and the last fiscal year balance sheet showing the assets and liabilities of the Retirement System, and submit

the biennial report to the Governor and furnish copies to the legislature.

- (8) Keep in convenient form that data which is necessary for actuarial valuation of the Retirement System and for checking the experience of the Retirement System.
- (9) Designate an actuary to assist the Retirement Board with the technical actuarial aspects of the Retirement System, which include establishing mortality and service tables and making an actuarial investigation at least once every five years into the mortality, service and compensation experience of the members and beneficiaries of the Retirement System.
- (10) Prepare an annual valuation of the assets and liabilities of the Retirement System.
- (11) Determine the eligibility of a person to become a member of the Retirement System.
- (12) Prescribe a form for membership application which will provide adequate and necessary information for the proper operation of the Retirement System.
- (13) Adopt policies for the determination of creditable service in the Retirement System implementing the following guidelines:
 - (a) One year's creditable service shall be awarded for each year of full-time service, outside of vacation periods, but no more than one year's creditable service shall be awarded for service during the same school or fiscal year.
 - (b) Not more than one month's creditable service shall be awarded for one or more continuous months of absence without pay.
- (14) Grant retirement, disability and other benefits.
- (15) Annually determine the rate of regular interest.
- (16) Establish and maintain the funds of the Retirement System in accordance with the provisions of the Teachers Retirement Act.
- (17) Perform such other duties and functions as are required to properly administer and operate the Retirement System.

MEMBERSHIP

Membership in the Retirement System is compulsory. A person who teaches less than 30 days, during the absence of a regular teacher may elect to become a member on the first day of employment in each fiscal year. If they have not elected membership, they must become a member on the 31st day of employment in each fiscal year. The employer shall give written notification to a substitute teacher on the first day of employment in each fiscal year of his/her option to elect membership. Ref: 19-4-302 MCA.

Membership applies to all persons employed as teachers, librarians, physical education directors, school nurses, principals, vice-principals, supervisors, superintendents, county superintendents of schools, and any other member of the teaching or professional staff of any public school, elementary school, or high school in the State of Montana, and any member of the administrative, instructional, or scientific staff of the units of the University System. Effective October 1, 1981, employees in an instructional services capacity by special education cooperatives are required to be members. It also applies to any person employed in the office of, or by, the State Superintendent of Public Instruction in duties pertaining to instructional services, and any member of the instructional staffs of various state custodial institutions.

EXEMPTION FROM MEMBERSHIP

At the time of passage of the original law in 1937 and its later amendments to admit the University System, a teacher was permitted to choose membership or non-membership. In each case, the period of option lasted only three months. Those exercising the option of non-membership are the only teachers exempt from membership. A list of these teachers is maintained at the Retirement Office.

FULL-TIME SERVICE

"Full-time service" means service which is full-time and which extends over a normal academic year of at least nine months. With respect to those members employed by the Office of the Superintendent of Public Instruction, any other state agency or institution, or the office of a county superintendent, "full-time service" means service which is full-time and which totals at least nine months in any one fiscal year. If a member contracts for employment in excess of nine months, only one year's creditable service shall be awarded for each fiscal year. Ref: 19-4-101(10) MCA.

PART-TIME SERVICE

"Part-time service" means service which is less than full-time or which totals less than nine months in any one fiscal year. Part-time service shall be credited in the proportion that the actual time worked bears to full-time service. Ref: 19-4-101(12) MCA. For example: A member who is employed for 6 months would receive $\frac{6}{9}$ of a year service credit or .67.

CONTRIBUTIONS

MEMBER'S SHARE

Effective July 1, 1985, employee contributions are, for tax purposes, considered picked-up and paid by your employer. In other words, the contributions are deducted before any federal or state income tax is withheld from your wages. Contributions withheld and reported on the July 1985 report and subsequent monthly reports will be taxable when you receive them in the form of a refund or monthly retirement benefit. Voluntary contributions made for the purpose of purchasing creditable service or termination pay contributions are not considered as tax deferred contributions. Ref: 414(H)(2) IRC.

You are currently required to contribute 7.044% of your monthly salary. Ref: 19-4-602 MCA.

EMPLOYER'S SHARE

Your employer currently pays 7.428% of total payroll to the Retirement System. This contribution is not allocated to the member, but is placed in a fund which together with earnings on investments provides that portion of your benefit not funded by your retirement account. Ref: 19-4-605 MCA.

INTEREST CREDITS AND CHARGES

Effective July 1, 1987, interest will be credited monthly at the rate of 7% per annum, compounded annually. The interest rate is not fixed by law, but is set by the Retirement Board. Ref: 19-4-501 MCA.

Interest will be charged on the redeposit of withdrawals and purchase of additional creditable service at the rate set by the Retirement Board in

any given period. (See table below.) Interest is charged on the unpaid balance as of July 1 of each fiscal year.

1971 - 1980	5.50%
1980 - 1981	7.00%
1981 - 1987	8.00%
1987 - 19	7.00%

VESTED RIGHT

You have a vested right in the Retirement System after the completion of five years of service or part-time service which totals five years of full-time service in Montana for which contributions have been paid. With a vested right, you are entitled to retirement, disability, and death benefits if you are otherwise qualified.

If you cease to be employed in a position which would qualify you for membership in the System, you will retain your vested right, provided you do not withdraw your contributions from the System.

BENEFITS

The Teachers' Retirement System provides not only retirement benefits, but also substantial death and disability benefits. The formula from which these three benefits are calculated is:

$$\text{ANNUAL BENEFIT} = \frac{\text{CREDITABLE SERVICE}}{60} \times \text{AVERAGE FINAL COMPENSATION}$$

(This annual benefit will be paid in 12 equal monthly installments.)

The formula is independent of sex, age, and the amount of your retirement account. The amount of your benefit depends only on your creditable service and final average compensation, which are determined as follows:

AVERAGE FINAL COMPENSATION

Average Final Compensation means the average of the "earned compensation" of a member during the three consecutive years of full-time service which yield the highest average and on which contributions have been made. For the use of termination pay in the calculation of average final compensation, see earned compensation including termination pay on page 6. Ref: 19-4-101(5).

Note: A member should be cautioned that taking leave without pay during the period used in calculating "average final compensation" may result in reducing the salaries used in determining "average final compensation" and a decrease in the monthly retirement benefit. Also, if a member does not complete at least nine full months of full-time employment in each of the three consecutive years utilized in determining "average final compensation" it may result in a different period of time used in calculating "average final compensation" which in turn may result in a reduced benefit.

EARNED COMPENSATION

Earned Compensation means the full compensation, pay or salary actually paid to a member and reported to the retirement system, including amounts paid under a salary reduction agreement, to a tax-sheltered annuity or deferred compensation program and the value of any housing provided by the employer. The employer shall fix the value of any housing provided. The term does not include any other amounts paid in kind or fringe benefits not actually paid to a member. The earned compensation of a member who had less than three consecutive years of full-time service during the five years preceding his/her retirement is the compensation, pay or salary which he/she would have earned had his/her part-time service been full-time service.

The earned compensation of a member who is awarded a disability retirement allowance prior to the completion of a full year is the compensation, pay, or salary which he/she would have received had he/she completed the full year, except that any termination pay, received by the member is limited to the amount actually paid and is not the amount he/she would have earned had he/she completed the full year. Ref: 19-4-101(8).

EARNED COMPENSATION INCLUDING TERMINATION PAY

Termination pay includes any form of termination pay, or any lump sum payment for deferred compensation, sick leave or accumulated vacation credit or any other payment for time not worked other than compensation received while on sick leave or authorized leave of absence. If earned compensation includes any termination pay the employee has three options. Ref: 19-4-101(5)MCA.

- I. Use the total termination pay in the calculation of the average final compensation. The member and the employer shall pay such contributions to the Retirement System as are determined by the Retirement Board to adequately compensate the System for the additional retirement benefit. The contributions must be made at the time the termination pay is received and are calculated as follows:

Employee cost - $2.80\% \times \text{termination pay} \times \text{years of creditable service}$.

Employer cost - $2.95\% \times \text{termination pay} \times \text{years of creditable service}$.

- II. Use a yearly amount of termination pay added to each of the three consecutive year's salary used in the calculation of the "average final compensation". The amount of such compensation must be divided by the total number of years of creditable service to determine a yearly amount. The member and the employer must pay the regular contributions on this termination pay.

Example - Assuming \$3,000.00 in termination pay and 25 years of service; $\$3,000.00 \div 25 = \120.00 . \$120.00 would be added to each of the three salaries used in the calculation of benefits.

- III. Exclude the termination pay from the average final compensation. No contribution is required of either the employee or employer.

CREDITABLE SERVICE

Creditable service can be obtained from ten sources. It will generally be to your advantage to obtain as much credit as possible from each of these sources.

You may purchase your service in any manner convenient to you. If you elect to pay by personal check on a monthly or periodic payment basis, all checks should be made payable to the "Teachers' Retirement System" and type of service being purchased identified on your personal check. Arrangements for payroll deduction must be made through your payroll department. Ref: 19-4-602 MCA.

LIMIT ON CREDITABLE SERVICE WHICH MAY BE AWARDED

Those members joining the System on or after July 1, 1973 may not be awarded more than five (5) years creditable service in any combination of out-of-state service, military service, private school employment, service while on leave, or employment with the Montana Cooperative Extension Service. Ref: 19-4-405 MCA.

(1) MEMBERSHIP SERVICE

Membership service consists of all teaching service in Montana since 1937 for which contributions have been paid and which remain on deposit.

(2) PRIOR SERVICE

Prior service includes all teaching in Montana prior to September 1, 1937, the date of the establishment of the System. Credit for this service can be obtained at no cost to you provided you have a vested right. Verification of this service is required. Please request forms from this office.

(3) MILITARY SERVICE

Purchase of military service is subject to the limit on creditable service which may be awarded as noted above.

If you were a member of TRS prior to July 1, 1971, and have a vested right, you may receive service credit, without cost, for active service in the Army, Air Force, Navy, Marines, Merchant Marine or Red Cross, during World War II from October 1940 through June 1947 and the Korean Conflict from June 1950 through January 1955 by submitting a copy of your military papers indicating the date of entry into active duty and the date of separation. There is no limit to the number of years service credit you may receive during these periods.

Members with active service in the Army, Navy, Marine Corp, Air Force and Coast Guard during the Viet Nam Conflict, may receive up to four (4) years of military service credit without cost provided such active duty was performed between August 5, 1964, and May 7, 1975, both dates inclusive. In order to receive credit for this service you must have a

vested right and provide the Teachers' Retirement System with a copy of your military papers indicating your date of entry into active duty and the date of separation or:

Members whose date of membership or military service does not meet the above conditions may purchase up to two (2) years of active military service provided you have a vested right. The cost is an amount equal to the combined employee-employer rate in effect at the time you become eligible to purchase such service. This rate will be multiplied by your first full year's teaching salary earned in Montana following the active service, for each year purchased. Interest will be charged from the time you become eligible for purchase, or July 1, 1973, whichever is later. Ref: 19-4-404 MCA.

(4) OUT-OF-STATE TEACHING SERVICE

Members may apply for creditable service in the Teachers' Retirement System for out-of-state teaching service that would have been acceptable if such service had been performed in the state of Montana. Research assistants and graduate student teaching may not qualify under the Montana Teachers' Retirement System.

Purchase of out-of-state teaching service is subject to the limit on creditable service which may be awarded (see page 8).

If you were a member in the Montana Teachers Retirement System **prior** to July 1, 1967, and have not withdrawn your account, you may purchase up to ten (10) years of out-of-state teaching credit provided you have ten (10) years of Montana service following the out-of-state service, or:

If you were a member on or **after** July 1, 1967 but **prior** to July 1, 1979, and have not withdrawn your account, you may purchase up to five (5) years of out-of-state teaching service provided you have five (5) years of Montana service following the out-of-state service. In either case, the cost is an amount equal to the employee rate in effect at the time you become eligible to purchase such service. This rate would then be multiplied by your first full year's teaching salary earned in Montana, following the out-of-state service, for each year purchased.

Individuals who become members of the System on or **after** July 1, 1979, and have completed five years of membership service following their out-of-state teaching service may purchase the out-of-state service at a cost equal to the combined employee-employer contribution rate in effect at the time of eligibility. This rate would then be multiplied by the first full year's teaching salary earned in Montana, following the out-of-state teaching service, to determine the cost per year.

Interest will be charged from the time you become eligible for purchase or July 1, 1971, whichever is later. Ref: 19-4-402 MCA.

(5) SERVICE WHILE ON LEAVE

Purchase of leave service is subject to the limit on creditable service which may be awarded (see page 8).

You may purchase up to two (2) years service while on leave, conditional upon your having been a member prior to the leave and upon completing five (5) years of membership service in Montana subsequent to your return. The cost is an amount equal to the combined employee-employer rate in effect at the time you become eligible to purchase such service. This rate would then be multiplied by your first full year's teaching salary, following your return, for each year purchased. Interest will be charged from the time you become eligible for purchase or July 1, 1973 whichever is later. Ref: 19-4-403 MCA.

(6) REPAYMENTS OF WITHDRAWALS

If you were a member of the System and withdrew your contributions on one or more occasions, you may redeposit the amounts withdrawn and receive credit for the service represented. You must be a member of the System to redeposit previous withdrawals. All withdrawals must be redeposited before credit can be reinstated. Should you desire to repay amounts previously withdrawn, write to this office. You will be notified of the redeposit required and the service that will be reinstated after completing payment. Interest will be charged from the date of withdrawal or July 1, 1971, whichever is later. Ref: 19-4-602(2) MCA.

(7) TRANSFER OF MEMBERSHIP

If you cease teaching and take a position covered by the Public Employees' Retirement System, you may transfer your retirement coverage from the Teachers' Retirement System to the Public Employees' Retirement System by repaying the amount withdrawn plus interest that has accrued to the Public Employees' Retirement System. Conversely, any membership service withdrawn from the Public Employees' Retirement System can be transferred to the Teachers' Retirement System in the same manner. Requests of this nature must be made, in writing, to the System in which you are currently a member. Ref: 19-4-409 MCA.

(8) PRIVATE SCHOOL EMPLOYMENT

Purchase of private school service is subject to the limit on creditable service which may be awarded (see page 7).

When you have been credited with five (5) full-time years of membership service following employment in a private elementary or postsecondary school you may purchase up to five (5) years provided the service was of an instructional nature, or employment as an administrative officer or a member of the scientific staff. This does not include students employed by a private elementary, secondary or post-secondary school.

An institution shall be deemed to be a private elementary or post-secondary educational institution if it meets the following requirements:

- (a) has a governing authority;
- (b) can show that it provides instructions in the program prescribed by the board of public education of the state in which it operates;
- (c) a kindergarten teacher must instruct children who will, the following year, be eligible to attend the first grade as required by the law of the state in which the institution operates; and
- (d) is not operated in a private home.

The cost is an amount equal to the combined employee and employer contribution rate in effect at the time you become eligible. This rate would then be multiplied by your first full years teaching salary earned in Montana following the private school employment, for each year purchased. Interest will be charged from the time you become eligible for purchase or October 1, 1981, whichever is later. Ref: 19-4-408 MCA.

(9) MONTANA COOPERATIVE EXTENSION SERVICE

Purchase of Montana Cooperative Extension Service is subject to the limit on creditable service which may be awarded (see page 8).

A member with five (5) years of creditable service may qualify up to five (5) years of his/her employment with the Montana Cooperative Extension Service provided the service involved instructional service at a unit of the Montana University System and the member received a refund of his/her contributions under the Civil Service Retirement System or the Federal Employees Retirement System. The cost is an amount equal to the combined employee and employer contribution rate in effect at the time you become eligible. This rate would then be multiplied by your first full years teaching salary earned, following the Cooperative Extension Service for each year purchased. Interest will be charged on the purchase of this service from the time you become eligible for purchase. Ref: 19-4-408 MCA.

(10) WORKERS' COMPENSATION

A member who is injured while employed in a position covered under the Teachers' Retirement System may purchase time lost, which is covered under Workers' Compensation after they return to work. The maximum time an individual may purchase is two (2) years. The employee must contribute an amount equal to the contributions he/she would have made had he/she not been injured. The employer is required to pay their share after the employee contributions have been received. Interest will be charged, to purchase this service, one year after returning to covered employment. If the employer elects not to pay the interest due on their contributions, it shall become the obligation of the employee.

RETIREMENT BENEFITS

If you have ceased teaching in Montana, you may apply for retirement benefits provided:

- (1) You have been credited with 25 or more years membership service, in which case you are eligible for retirement regardless of age.
- (2) You have at least five (5) years of creditable service and you have attained the age of 50.

The normal retirement age is 60. However, a member with five (5) full years but less than 25 years of creditable service may retire at age 50 at a reduced benefit. The reduction is one-half of one percent (.5%) for each of the first 60 months the retirement date precedes age 60 or 25 years of service and three-tenths of one percent (.3%) for each month in excess of the first 60 months the early retirement precedes age 60 or 25 years of service. Ref: 19-4-801 and 19-4-802 MCA.

For example: An individual who retired at age 50 with 23 years of service would have his/her benefits reduced 12%. (25 years minus 23 years = 2 years or 24 months x .005 or 12%). A member who retires at age 50 with 10 years of service would experience a reduction of 48%. (Age 60 minus age 50 = 10 years or 120 months. 1st 60 months x .005 = 30%. 2nd 60 months x .003 = 18%. Total reduction = 48%). (30% + 18%).

A member receives credit for all service up to the time of retirement. For example, a member who has 40 years of creditable service at the time of retirement would be allowed to use 40 years of creditable service in the calculation of benefits.

The retirement benefit is determined by the formula:

$$\text{RETIREMENT BENEFIT} = \frac{\text{CREDITABLE SERVICE}}{60} \times \text{AVERAGE FINAL COMPENSATION}$$

RETIREMENT APPLICATION PROCEDURE

A member considering retiring should write or visit the Teachers' Retirement Office, at least three months prior to their retirement and provide the TRS with the following information:

- (1) Current year's salary
- (2) The dollar amount of any anticipated termination pay such as a lump sum payment or monthly payments for accrued sick leave, vacation pay or a severance or retirement stipend.
- (3) Beneficiary's name and date of birth
- (4) Date of retirement
- (5) Social Security Number

The member will then be provided with an estimate of retirement benefits and an application for retirement allowance. Retirement applications for members who retire at the end of a school year are due in the TRS office by May 15 of the year in which the member retires. Members who retire during a school year should submit their applications at least 30 days prior to their effective retirement date. A copy of the member's birth certificate is required, and if the member elects an option other than normal form, a copy of the beneficiary's birth certificate.

It is suggested that if you wish to visit the TRS office that you call or write for an appointment

EFFECTIVE RETIREMENT DATE

The effective date of your retirement will be:

- (1) July 1 if you retire at the end of a school year, since the school term is considered to be July 1 through June 30.
- (2) The first of the month following the cessation of your teaching if you retire during the school term.
- (3) The first of the month following your 60th birthday, or the first of the month following your 50th birthday if you elect early retirement.

Although retirement benefits accrue from the first of the month, they are paid at the end of the month. Payments are always mailed from Helena on the last working day of each month.

EARNINGS AFTER RETIREMENT

Any retired member may be employed as a part-time or substitute teacher in Montana and earn, without loss of retirement benefits, an amount not to exceed the greater of (1) one-third of the sum of his/her average final compensation plus normal annual salary increases for teaching personnel employed by the school district, state agency, political subdivision, or university unit that employed the member at the time of retirement, or (2) one-third of the median average final compensation for members retired during the preceding fiscal year as determined by the retirement board.

A retiree who is employed in a part-time or substitute position, covered by the Teachers' Retirement System, is not required to contribute to the Teachers' Retirement System until they have exceeded the amount they are allowed to earn. Should they exceed this amount, the monthly retirement benefit will cease the first of the month in which the earnings exceeded the maximum allowed and the retiree shall be reinstated to active membership status.

You are not limited in the amount you may earn in any employment that would not qualify you as a member of the System. Ref: 19-4-803 MCA.

DISABILITY BENEFITS

If you become disabled and cannot continue to teach, you may be eligible for disability benefits provided:

- (1) You have a vested right in the Retirement System and are not eligible for normal service retirement benefits.
- (2) You were an active member at the time of your disability.
- (3) You are declared physically or mentally incapacitated for the further performance of your duties, and that such disability is likely to be permanent. A physician's statement is required.

- (4) The Retirement Board has approved the disability application.

Ref: 19-4-901 MCA.

The effective date of the disability benefit will be the first of the month following the date the member terminates membership service. The benefits will continue throughout the continuance of the disability.

The disability benefit is determined by the following formula:

$$\text{DISABILITY BENEFIT} = \frac{\text{CREDITABLE SERVICE}}{60} \times \text{AVERAGE FINAL COMPENSATION}$$

The minimum disability benefit will be the greater of (1) $\frac{1}{4}$ of the average final compensation or, (2) the benefit payable at age 60. This benefit will be payable during your lifetime while disabled, if the Normal Form benefit is elected. However, in the event of your death prior to receiving benefits equal to your retirement account, the balance would be payable in a lump sum to your beneficiary. Optional forms of payments may be elected (as described later). Ref: 19-4-902 MCA.

EARNINGS AFTER DISABILITY RETIREMENT

If you are receiving disability benefits, you may return to employment provided your earnings and disability benefit together do not exceed the greater of your average final compensation or the median salary of those members retired during the preceding fiscal year. Should your earnings and disability benefit exceed the above, your disability benefit will be reduced so that your earnings and disability benefit do not exceed the greater of your average final compensation or the median salary of those members retired during the preceding fiscal year. Ref: 19-4-904 MCA.

MEDICAL EXAMINATION

Once each year during the first five (5) years following the disability retirement and once every three (3) years thereafter the Retirement Board will require a physician's certification of your continued disability. Ref: 19-4-903 MCA.

PROCEDURE TO APPLY FOR A DISABILITY RETIREMENT

A member applying for a disability retirement should write or visit the TRS office and provide the following information.

- (1) Date they will be retiring or date they will be terminated for payroll purposes if they are drawing sick leave.
- (2) Current year's salary
- (3) The dollar amount of any anticipated termination pay such as a lump sum payment for accrued sick leave, vacation pay or a severance or retirement stipend.
- (4) Beneficiary's name and birth date.
- (5) Social Security Number

The member will receive an application for disability and an attending physician's statement (to be completed by your doctor), along with an estimate of disability benefits. The application and attending physician's statement must then be submitted to the TRS office for consideration by the TRS Board. The TRS Board meets quarterly, therefore, you should check with the TRS office as to the meeting date in order to avoid any delay in reviewing your application for disability.

CANCELLATION OF DISABILITY BENEFITS

Disability retirement may be cancelled by the Retirement Board for the following reasons:

- (1) The Board determines the retiree is no longer incapacitated from the performance of their duties.
 - (2) The disabled retiree returns to a position covered under the Teachers' Retirement System and earns more than the maximum allowed by law.
 - (3) The retiree refuses to submit to a medical examination.
 - (4) Failure to submit annual gross earnings when requested by the Board.
- Ref: 19-4-903, 19-4-904 and 19-4-905 MCA.

When a disability retiree is reinstated to active membership, all service credit at the time of his/her disability shall be restored in full force to his/her account. He/she will not be required to repay the benefits received.

DEATH BENEFIT

If a member dies before retirement his/her beneficiary may elect to receive a lump sum refund of the personal contributions plus interest. If the member has a vested right, the beneficiary may elect to receive, in lieu of the refund, a monthly survivor's benefit.

The effective date of the survivor's benefit will be the first of the month following the date of the member's death.

For members of the System prior to July 1, 1973, the survivor's benefit is determined by the following formula with adjustment for the age of the beneficiary in relation to the members age at death. If the beneficiary is older, the amount will be larger. If the beneficiary is younger, the amount will be less:

$$\text{SURVIVOR'S BENEFIT} = \frac{\text{CREDITABLE SERVICE} \times \text{AVERAGE FINAL COMPENSATION}}{60}$$

The survivor's benefit, for members of the System on or after July 1, 1973 who have a vested right, would be determined by the above formula and then adjusted for the factors shown under Option A on Page 23.

This benefit will be payable during the beneficiary's lifetime and cease upon his/her death. No optional forms are available.

In addition to this benefit, each surviving child of a deceased member with a vested right who was an active member in the State of Montana within one (1) year prior to his/her death will receive a minor child's benefit of \$100.00 per month until the child has attained age 18. The last payment will be made in the month in which age 18 is attained. This also applies to minor children of a retired member.

If a member was employed within one (1) year of his/her death, and has a vested right, his/her beneficiary will receive a \$500.00 death benefit in addition to all other benefits payable. Ref: 19-4-1001 MCA.

A beneficiary of a retired member is also entitled to receive a \$500.00 death benefit. In the absence of a designated beneficiary the death benefit will be payable to the estate. Ref: 19-4-1002 MCA.

Upon the death of a member, the TRS office should be notified immediately and the proper forms for applying for the death benefit will then be sent to the beneficiary.

BENEFICIARY OF RECORD

The recipient of any death benefit will be the beneficiary of record on file with the Teachers' Retirement System. Therefore, if you have had a change of beneficiary, please make sure that the proper designation is made on a beneficiary form provided by the Teachers' Retirement System. Forms are available from either your employer or the Teachers' Retirement System. If you are not sure of your beneficiary designation, please check with the Teachers' Retirement System. Ref: 19-4-1001 MCA.

OPTIONAL FORMS OF RETIREMENT BENEFITS

There are many forms in which you may elect to receive your monthly retirement or disability benefits. Ref: 19-4-702 MCA.

Once a member elects a retirement option, that option is irrevocable except for the following: Upon written request to the Retirement Board, a retired member, who is receiving an optional retirement allowance, may designate a different beneficiary, select a different option, or convert his/her optional retirement allowance to a regular retirement or disability allowance if;

- (1) The original beneficiary has died; or
- (2) The member has been divorced from the original beneficiary and the original beneficiary has not been granted the right to receive the optional retirement allowance as part of the divorce settlement.

The Board shall actuarially adjust the member's monthly retirement or disability allowance to reflect the change.

It is important that a careful study be made prior to retirement regarding your future financial commitments. The staff of the Teachers' Retirement

ment System is available to assist as much as possible in making the best decision, but will not recommend a choice.

The amount of your monthly retirement benefit will depend upon the optional form you elect. Usually the largest amount is payable under the Normal Form, which is the basic formula illustrated earlier. Under the optional forms, the amount of the benefit will depend on both your age and your beneficiary's age.

NORMAL FORM: Life Only Annuity

This benefit will be payable during your lifetime. In the event of your death prior to receiving benefits equal to your account balance at retirement (your contributions plus interest) the remainder will be refunded to your beneficiary.

OPTION A: Joint and Full to Beneficiary

This benefit will be payable during your lifetime. Upon your death, your beneficiary, if living, will continue to receive the same amount during the remainder of his/her lifetime.

OPTION B: Joint and One-Half to Beneficiary

This benefit will be payable during your lifetime. Upon your death, your beneficiary, if living, will receive 1/2 of that benefit during the remainder of his/her lifetime.

OPTION C: Joint and Two-Thirds to Beneficiary

This benefit will be payable during your lifetime. Upon your death, your beneficiary, if living, will receive 2/3 of that benefit during the remainder of his/her lifetime.

OPTION D: Joint and One-Half to Survivor

This benefit will be payable while both you and your beneficiary are living. Upon the death of either, the survivor will receive 1/2 of that benefit during the remainder of his/her lifetime.

OPTION E: Joint and Two-Thirds to Survivor

This benefit will be payable while both you and your beneficiary are living. Upon the death of either, the survivor will receive 2/3 of that benefit during the remainder of his/her lifetime.

OPTION F: Special Plan

Any actuarial equivalent mutually agreed upon between the member and the Retirement Board.

TABLE A illustrates the benefits payable under the NORMAL FORM of retirement. TABLE B illustrates the benefits payable under Options A, B, C, D and E and are expressed as percentages of the NORMAL FORM.

Examples of monthly benefits paid under Options A, C and E, using the following assumptions:

(1)	YEARS OF SERVICE	30
(2)	FINAL AVERAGE SALARY	\$22,000
(3)	MEMBER'S AGE	60
(4)	BENEFICIARY'S AGE	57
(5)	MONTHLY BENEFIT - NORMAL FORM	\$916.67

$$(30/60 \times \$22,000 \div 12)$$

OPTION A: Monthly Benefit

$$\$916.67 \times 85.24\% = \$781.37$$

Upon the death of the member, the same amount (\$781.37) would continue throughout the lifetime of the beneficiary.

OPTION C: Monthly Benefit

$$\$916.67 \times 89.65\% = \$821.79$$

\$821.79 is payable as long as the member is living. Upon the death of the member, the beneficiary would receive 2/3 or \$547.89, throughout the lifetime of the beneficiary.

OPTION E: Monthly Benefit

$$\$916.67 \times 92.88\% = \$851.40$$

\$851.40 is payable as long as both the member and the beneficiary are living. Upon the death of either the member or the beneficiary, the survivor would receive 2/3, or \$567.63.

*From Table B.

TABLE A
ILLUSTRATION OF MONTHLY BENEFITS - NORMAL FORM
YEARS FINAL AVERAGE COMPENSATION SERVICE

YEARS	1,000	20,000	22,000	24,000	26,000	28,000	30,000	32,000	34,000	36,000	38,000	40,000
5	6.94	138.89	152.78	166.67	180.56	194.44	208.33	222.22	236.11	250.00	263.89	277.78
10	13.89	277.78	305.56	333.33	361.11	388.88	416.67	444.44	472.22	500.00	527.78	555.55
11	15.28	305.56	336.11	366.67	397.22	427.78	458.33	488.89	519.44	550.00	580.56	611.11
12	16.67	333.33	366.67	400.00	433.33	466.67	500.00	533.33	566.67	600.00	633.33	666.67
13	18.06	361.11	397.22	433.33	469.44	505.56	541.67	577.78	613.89	650.00	686.11	722.22
14	19.44	388.89	427.78	466.67	505.56	544.44	583.33	622.22	661.11	700.00	738.89	777.78
15	20.83	416.67	458.33	500.00	541.67	583.33	625.00	666.67	708.33	750.00	791.67	833.33
16	22.22	444.44	488.89	533.33	577.78	622.22	666.67	711.11	755.56	800.00	844.44	888.89
17	23.61	472.22	519.44	566.67	613.89	661.11	708.33	755.56	802.78	850.00	897.22	944.44
18	25.00	500.00	550.00	600.00	650.00	700.00	750.00	800.00	850.00	900.00	950.00	1000.00
19	26.39	527.78	580.56	633.33	686.11	738.89	791.67	844.44	897.22	950.00	1002.77	1055.55
20	27.78	555.56	611.11	666.67	722.22	777.78	833.33	888.89	944.44	1000.00	1055.56	1111.11
21	29.17	583.33	641.67	700.00	758.33	816.67	875.00	933.33	991.67	1050.00	1108.33	1166.67
22	30.56	611.11	672.22	733.33	794.44	855.56	916.67	977.78	1038.89	1100.00	1161.11	1222.22
23	31.94	638.89	702.78	766.67	830.56	894.44	958.33	1022.22	1086.11	1150.00	1213.89	1277.78
24	33.33	666.67	733.33	800.00	866.67	933.33	1000.00	1066.67	1133.33	1200.00	1266.67	1333.33
25	34.72	694.44	763.89	833.33	902.78	972.22	1041.67	1111.11	1180.56	1250.00	1319.44	1388.89
26	36.11	722.22	794.44	866.67	938.89	1011.11	1083.33	1155.55	1227.78	1300.00	1372.22	1444.44
27	37.50	750.00	825.00	900.00	975.00	1050.00	1125.00	1200.00	1275.00	1350.00	1425.00	1500.00
28	38.89	777.78	855.56	933.33	1011.11	1088.89	1166.67	1244.44	1322.22	1400.00	1477.78	1555.55
29	40.28	805.56	886.11	966.67	1047.22	1127.78	1208.33	1288.89	1369.44	1450.00	1530.56	1611.11
30	41.67	833.33	916.67	1000.00	1083.33	1166.67	1250.00	1333.33	1416.67	1500.00	1583.33	1666.67
31	43.06	861.11	947.22	1033.33	1119.44	1205.56	1291.67	1377.78	1463.89	1550.00	1636.11	1722.22
32	44.44	888.89	977.78	1066.67	1155.56	1244.44	1333.33	1422.22	1511.11	1600.00	1688.89	1777.78
33	45.83	916.67	1008.33	1100.00	1191.67	1283.33	1375.00	1466.67	1558.33	1650.00	1741.67	1833.33
34	47.22	944.44	1038.89	1133.33	1227.78	1322.22	1416.67	1511.11	1605.56	1700.00	1794.44	1888.89
35	48.61	972.22	1069.44	1166.67	1263.89	1361.11	1458.33	1555.56	1652.78	1750.00	1847.22	1944.44

TABLE B
OPTIONAL BENEFITS EXPRESSED AS PERCENTAGES OF NORMAL FORM
MEMBER OLDER THAN BENEFICIARY

DIFFERENCE IN AGES	MEMBER OLDER THAN BENEFICIARY					MEMBER YOUNGER THAN BENEFICIARY					DIFFERENCE IN AGES	
	OPTION A	OPTION B	OPTION C	OPTION D	OPTION E	OPTION A	OPTION B	OPTION C	OPTION D	OPTION E		
0	87.05	93.08	90.98	100.00	95.28	87.05	93.08	90.98	100.00	95.28	0	0
1	86.45	92.73	90.54	99.03	94.45	87.66	98.43	91.42	101.02	96.14	1	1
2	85.84	92.38	90.09	98.11	93.65	88.27	93.77	91.86	102.09	97.03	2	2
3	85.24	92.03	89.65	97.24	92.88	88.88	94.11	92.30	103.22	97.95	3	3
4	84.64	91.68	89.21	96.42	92.15	89.48	94.45	92.73	104.41	98.90	4	4
5	84.06	91.34	88.78	95.65	91.45	90.07	94.77	93.15	105.65	99.89	5	5
6	83.48	91.00	88.35	94.92	90.77	90.65	95.10	93.57	106.95	100.90	6	6
7	82.92	90.66	87.92	94.22	90.13	91.22	95.41	93.97	108.32	101.95	7	7
8	82.37	90.33	87.51	93.57	89.51	91.78	95.71	94.36	109.74	103.02	8	8
9	81.83	90.00	87.10	92.95	88.92	92.32	96.01	94.74	111.22	104.12	9	9
10	81.30	89.69	86.70	92.36	88.35	92.84	96.29	95.11	112.76	105.24	10	10
11	80.79	89.37	86.32	91.80	87.81	93.34	96.56	95.46	114.35	106.37	11	11
12	80.29	89.07	85.94	91.27	87.29	93.82	96.81	95.97	115.97	107.51	12	12
13	79.81	88.77	85.57	90.76	86.79	94.28	97.05	96.11	117.63	108.66	13	13
14	79.34	88.48	85.21	90.28	86.31	94.71	97.28	96.41	119.34	109.82	14	14
15	78.89	88.20	84.86	89.93	85.86	95.13	97.50	96.70	121.10	111.00	15	15
16	78.45	87.92	84.52	89.40	85.42	95.52	97.71	96.97	122.91	112.19	16	16
17	78.03	87.66	84.20	88.99	85.01	95.89	97.90	97.22	124.77	113.39	17	17
18	77.63	87.40	83.88	88.60	84.62	96.24	98.08	97.46	126.66	114.59	18	18
19	77.24	87.16	83.58	88.24	84.24	96.56	98.25	97.68	128.57	115.78	19	19
20	76.87	86.92	83.29	87.90	83.89	96.86	98.40	97.88	130.48	116.95	20	20
21	76.51	86.69	83.01	87.58	83.55	97.14	98.55	98.07	132.39	118.10	21	21
22	76.17	86.48	82.75	87.27	83.23	97.39	98.68	98.25	134.29	119.23	22	22
23	75.85	86.27	82.49	86.99	82.93	97.63	98.80	98.41	136.20	120.35	23	23
24	75.54	86.07	82.25	86.72	82.65	97.85	98.91	98.56	138.11	121.45	24	24
25	75.25	85.88	82.02	86.47	82.38	98.05	99.02	98.69	140.02	122.53	25	25

REFUNDS

If you are no longer employed in a position which would qualify you as a member of the System, you may request a refund of your personal contributions. Termination of a contract does not automatically qualify you for a refund. If you leave a school district for employment in another, you are not eligible for a refund. Ref: 19-4-603 MCA.

If you are eligible and request a refund, you will be sent the necessary application form. No refund will be made until all contributions have been received from the employer.

If you receive a refund of your account, you may be able to get special tax treatment on the refund. The taxable portion of the distribution from active participation in a plan before 1974 may be subject to long term capital gains treatment. The taxable portion for participation after January 1, 1974 is taxed as ordinary income. You will receive notice as to how much of the total distribution is subject to state and federal income taxes. The taxable portion may also be subject to an additional 10% federal excise tax UNLESS it is received; after you have attained age 59½, have become disabled, or have died. You are also exempt from the additional tax if: (1) you are at least age 55 and have 5 years of creditable service, or (2) to the extent that you have off-setting medical expenses.

If, within 60 days of receipt, you deposit the taxable amount in another qualified pension plan or IRA, you need not consider this as taxable income, nor will you be subject to the additional 10% federal tax penalty. Transferring this amount to another qualified plan or an IRA will not affect the limits which otherwise exist on the annual amount you may deposit in an IRA. Amounts not deposited in a qualified plan or IRA may be eligible for a one time election for five-year income averaging. See IRS Publication 575 for further information.

If your account represents at least five (5) years of service, you may not wish to withdraw. (See "Vested Right" on page 5.)

SOCIAL SECURITY COVERAGE

Most teachers in Montana have Social Security coverage. Benefits provided by the Teachers' Retirement System are independent of, and in addition to, any social security benefits you may be entitled to receive.

Information regarding social security benefits should be obtained from your local Social Security Office.

TAXATION OF YOUR BENEFITS

Retirement, disability and death benefits payable under provision of the Retirement System are subject to federal income tax laws. The information provided below is general and may not apply in your individual case. You should contact your attorney, accountant or local Internal Revenue office to obtain tax information regarding your benefits.

STATE TAXES

The retirement law provides that any benefits accrued or accruing under the provisions of the Retirement System are exempt from any state, county or municipal tax of the State of Montana except for a refund of a member's contributions made after July 1, 1985. Ref: 19-4-706 MCA.

FEDERAL INCOME TAX

All benefits, except those provided by your personal contributions made prior to July, 1985, are subject to federal income tax as ordinary income in the year received. Since your personal contributions prior to July 1, 1985 have already been taxed, benefits provided by them are not subject to tax.

The Tax Reform Act of 1986 (TRACT) radically changed the taxes on pension benefits. Prior to changes made by TRACT, most benefits were covered by the special three year cost recovery rule. This rule allowed annuitants to receive a tax break for accumulation of benefits equal to their personal contributions prior to July, 1985, provided they could recover these contributions within three years from the date of retirement. Subsequent benefit payments were fully taxable. TRACT retroactively repealed the special three year cost recovery rule for individuals whose annuity starting date is after July 1, 1986. Therefore, only a portion of each monthly benefit will be excluded from taxation. To calculate the portion that is tax free, divide your pre-July 1985 contributions by your total lifetime expected return. Total lifetime expected return can be calculated from the tables in IRS Publication 575.

Additional tax exemptions may be available for disability benefits. You should contact your local Internal Revenue Service Office for this information and a copy of their Publication 522, entitled "Disability Payments".

The tax treatment noted above applies only to the retirement program. Any benefits received under a tax-deferred annuity program are normally taxed in full since your contributions will usually have been made with "before-tax" dollars.

You will receive an informational tax letter after retirement, explaining the taxation of your benefit, as well as advising you of the total amount of your pre July 1985 personal contributions (cost basis). The contribution amount is not equal to your account balance, since your account balance includes post July 1985 contributions and interest which has been credited to your account. This letter will provide you with all the information you will need in reporting your benefits for federal income tax purposes. Publication 575, entitled "Pension and Annuity Income", issued by the Internal Revenue Service, offers a complete explanation regarding your retirement benefit and your federal income tax liability.

All monthly retirement benefits of \$450.00 or more may be subject to federal income tax withholding, however, a member may elect not to have any deduction made. Withholding will only apply to that portion of your retirement benefit which is subject to the federal income tax. Thus, there will be no withholding on the return of your pre July 1985 personal contributions. All persons affected by this federal regulation will be sent a notification of this requirement prior to January 1 of **each year**. The retiree or the beneficiary will then be able to select if, and how much, they would like deducted from their monthly retirement benefit. Failure to comply with this request before January 1 of each year may result in an automatic federal income tax withholding deduction.

Withholding may be implemented on your benefit, or discontinued, at any time by your filing a Form W-4P with this office. You have the option of specifying a definite dollar amount to be withheld from each monthly benefit, or by electing that this office determine the amount to be withheld from your monthly benefit in accordance with the monthly tax tables, your marital status, and the number of exemptions you claim.

By January 31, of each year, we will mail Form W-2P, which gives you the total benefits you have received during the preceding calendar year, and the total amount withheld for federal income tax purposes, when applicable.

EXEMPTION FROM LEGAL PROCESS

The pensions, annuities or any other benefits accrued or accruing to any person under the provisions of the Teachers' Retirement System and the accumulated contributions, cash and securities in the various funds of the retirement system are not subject to execution, garnishment, attachment by trustee process or otherwise, in law or equity, or any other process; and are unassignable except as specifically provided in this chapter. Ref: 19-4-706 MCA.

WITHHOLDING OF GROUP INSURANCE PREMIUMS FROM RETIREMENT BENEFITS

A retired member who is a participant in an employer-sponsored group insurance plan may elect to have the monthly premiums withheld from their retirement benefit by contacting the payroll clerk at the place of their employment. This provision does not include individual insurance policies. Ref: 19-4-1003 MCA.

TAX-DEFERRED ANNUITY PROGRAM

In 1958 the Internal Revenue code was amended to permit certain tax-exempt employers to deduct a portion of an employee's salary to be contributed to a tax-deferred annuity contract. Amounts so deducted are considered nontaxable to the employee at the time the deduction is made. In 1967 the Internal Revenue Service ruled that contributions on your behalf to a separate fund maintained by a state teachers' retirement system for the purchase of additional retirement benefits, unrelated to the basic benefits, may constitute contributions toward a tax-deferred annuity contract. The Teachers' Retirement System has established a separate fund for this purpose. Ref: 19-4-207 MCA.

The tax-deferred annuity program is not a program of tax forgiveness, but rather it is designed to delay taxation on a portion of your current income until such time as benefits are received from the program.

ELIGIBILITY

- (1) You must be an active member of the Retirement System.
- (2) The Board of Education, Board of Regents or other governing body must have adopted an official resolution extending to its employees the opportunity to participate in this program.
- (3) You must enter into a "salary reduction agreement" with the governing board authorizing the board to reduce your salary by a stated amount. The contributions to the program must be made by the employer; it is not possible for you to make the contributions directly. You are not permitted to make more than one agreement with the same employer during the same tax year; however, you may be permitted to terminate the agreement for amounts not yet earned.

CONTRIBUTIONS

The maximum amount which you may contribute will vary with each individual situation. The Internal Revenue Service establishes the rules and regulations concerning maximum contributions, and we suggest you contact that agency for assistance.

INTEREST

Interest is credited to the tax-deferred annuity accounts each year on June 30 and is computed on each monthly balance. Effective July 1, 1987, the rate is 8 percent, compounded annually. The interest rate is not fixed by law, but is set by the Retirement Board annually.

ADMINISTRATIVE EXPENSE

There are no administrative charges or initiation fees required for participation in this program. The expenses are paid from investment income.

RIGHTS NON-FORFEITABLE

Your rights under this program are non-forfeitable. There are no contingencies which would cause you to lose your rights to any benefits provided by your contributions. If you should elect to discontinue your participation in the program, or become employed in a position which would not qualify you as a member of the System, you may elect to leave your contributions in your account and continue to enjoy a tax shelter on them. Your contributions would continue to earn interest and benefits would be payable at retirement age.

BENEFITS

The amount of benefits provided by your tax-deferred annuity program will depend upon your age at retirement, your account balance at retirement, and the form of benefit payment which you elect. The benefits will be determined from actuarial tables approved by the Retirement Board. The optional forms of payment under the retirement program are available under the Tax Deferred Annuity Program. Typical examples of amounts payable and accumulated accounts are given at the end of this section.

WITHDRAWALS

There are no loan provisions under this tax-deferred annuity program. Because of restrictions placed on the program by the Internal Revenue Service, it is not possible for a participant to receive a full or partial refund of his/her account and still participate in the program. In the event you wish to discontinue your participation in the program, you may elect to receive a lump sum refund of your account balance, including your personal contributions plus interest accrued to date.

TABLE I

MONTHLY PAYMENT AT RETIREMENT
PER \$1,000 OF ACCUMULATED CONTRIBUTIONS

REFUND ANNUITY—Benefits payable during your life time. Upon your death, balance of account will be payable to your beneficiary.

RETIREMENT AGE	MONTHLY BENEFIT PER \$1,000
55	7.14
56	7.23
57	7.32
58	7.43
59	7.53
60	7.66
61	7.78
62	7.91
63	8.05
64	8.19
65	8.36
66	8.52
67	8.69
68	8.87
69	9.05
70	9.25

The above rates are based on the expectancy of life and an assumed interest rate of 7%. Each year, a 13th check may be paid to adjust for any difference between the annual rate set by the Board and the assumed rate of 7%.

TABLE II

Projected Account Balance at Age 60 and 65
Assuming \$1,000 Annual Contributions

VARIOUS INTEREST RATES

AGE 60

CURRENT AGE	7%	8%	9%
25	138,236.88	172,316.78	215,710.75
30	94,460.79	113,283.20	136,307.54
35	63,249.04	73,105.93	84,700.90
40	40,995.49	45,761.96	51,160.12
45	25,129.02	27,152.11	29,360.92
50	13,816.45	14,486.56	15,192.93
55	5,750.74	5,886.60	5,984.71

AGE 65

CURRENT AGE	7%	8%	9%
25	199,635.11	259,056.48	337,882.45
30	138,236.88	172,316.78	215,710.75
35	94,460.79	113,283.20	136,307.54
40	63,249.04	73,105.93	84,700.90
45	40,995.49	45,761.96	51,160.12
50	25,129.02	27,152.11	29,360.92
55	13,816.45	14,486.56	15,192.93
60	5,750.04	5,886.60	5,984.71

QUESTIONS AND ANSWERS

YOUR RETIREMENT ACCOUNT

(1) MAY I BORROW FROM MY ACCOUNT?

No, the retirement law has no provision for personal loans. Your account can be withdrawn only upon termination. (See "Refunds" on page 24).

(2) CAN MY BENEFITS BE GARNISHEED?

No, the retirement law provides that any benefits accrued or accruing are not subject to garnishment, execution or attachment.

(3) IS ANY PART OF MY REFUND TAXABLE?

Yes, the interest you receive and any contributions reported on the July 1985 report and thereafter.

SERVICE

(1) WHAT ADVANTAGES ARE THERE IN TAKING IMMEDIATE STEPS TO OBTAIN CREDIT FOR ALL SERVICE TO WHICH I MAY BE ENTITLED?

(a) In the event of your death, the survivor's benefit will be based on the number of years which have been credited to your account at the time of your death. If you die prior to completing payment for additional service or redeposit of withdrawals, the service represented by payments received prior to your death will be credited.

(b) If your previous withdrawals are redeposited, the years represented may be used to determine your vested right.

(c) Interest charged will accrue each year the purchase of additional service or redeposit of withdrawals is delayed.

(2) CAN I RECEIVE CREDIT FOR MILITARY SERVICE DURING THE VIET NAM WAR?

Effective October 1, 1981, vested members can receive free service credit of up to four (4) years for active military duty for the periods August 5, 1964 through May 7, 1975.

- (3) WHAT IS THE MAXIMUM AMOUNT OF SERVICE WITH WHICH I CAN BE CREDITED?

You may receive credit for all years of creditable service to the time of your retirement.

FINAL AVERAGE COMPENSATION

- (1) MAY I USE ANY OUT-OF-STATE TEACHING SALARY IN DETERMINING MY FINAL AVERAGE COMPENSATION?

No, only salaries earned in Montana upon which contributions have been made can be used.

BENEFITS

- (1) ARE BENEFITS PAID TO ME AUTOMATICALLY WHEN I BECOME ELIGIBLE?

No, you must request the proper application forms from this office, complete them, and return them to this office to become eligible for retirement benefits. (See "Retirement Application Procedure" on page 14).

- (2) WHEN SHOULD APPLICATION FORMS BE REQUESTED?

You should notify this office at least 90 days prior to your retirement. Applications should be requested immediately in the event of your death or disability. (See procedure on page 14).

- (3) WHEN WILL I RECEIVE MY BENEFIT CHECKS?

The benefit checks are mailed the last business day of each month.

- (4) MUST I DESIGNATE A BENEFICIARY OF MY ACCOUNT?

No, but it is recommended because in the absence of a designated beneficiary, any death benefit will be payable to your estate and, as such, will be subject to estate taxes.

- (5) MAY I DESIGNATE MORE THAN ONE BENEFICIARY?

Only if you elect payments under the Normal Form of retirement. If an option is elected at the time of application for benefits, only one beneficiary can be designated.

TAX-DEFERRED ANNUITIES

- (1) HOW MAY I PARTICIPATE IN THE TAX-DEFERRED ANNUITY PROGRAM?

Application must be made at the school where you are currently employed. You will be requested to sign a "salary reduction agreement" with your employer.

- (2) MAY I TRANSFER MY TAX-DEFERRED ACCOUNT TO MY RETIREMENT ACCOUNT FOR THE REDEPOSIT OF PREVIOUS WITHDRAWALS OR THE PURCHASE OF CREDITABLE SERVICE?

No, only a lump sum refund payable to you is available if you discontinue your participation.

- (3) IF I DISCONTINUE MY PARTICIPATION, MAY I REJOIN THE PROGRAM AT A LATER DATE?

Yes.

- (4) WHAT BECOMES OF MY ACCOUNT IN THE EVENT OF MY DEATH?

The balance of your account including interest accrued to the date of your death will be payable in a lump sum to your beneficiary. (See "Death Benefit" on page 18).

TEACHERS' RETIREMENT SYSTEM BUILDING
1500 SIXTH AVENUE
HELENA, MONTANA 59620

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